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Alaska District

Regional Economic Development Examined: The Importance to Alaskan Project Sponsors

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What is RED?

"Through its effects – both beneficial and adverse – on a region's income, employment, population, economic base, environment, social development and other factors, a plan may exert a significant influence on the course and direction of regional development. The regional development account embraces several types of beneficial effects, such as (a) increased regional income, (b) increased regional employment, (c) population distribution, (d) diversification of the regional economic base, and (e) enhancement of environmental conditions of special regional concern."

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What is RED?

- *The regional economic development (RED) account registers changes in the distribution of regional economic activity that result from each alternative plan. Evaluations of regional effects are to be carried out using nationally consistent projections of income, employment, output, and population.*

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Importance to the Project Sponsor

- Aids in the decision-making process – allows local leaders to:
  - Quantify changes in jobs and total income
  - Identify employment training needs and opportunities
  - Calculate changes in local government revenues
  - Measure effects on local businesses

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Importance to the Corps

- RED analysis allows the Corps to:
  - Make informed decisions as to project sponsors cost sharing capability
  - Educate the project sponsor on the real risks and benefits associated with a project
  - Provide good will in effort to work collaboratively with project sponsor.

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Cost-Sharing Capability

- 70 percent of existing Alaska project sponsors do not have cost sharing funds
- Qualifying assistance is available from granting and lending agencies
- Information needs to get from project managers to the project sponsor
- RED analysis assists the project sponsor in obtaining cost-sharing funds

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How does RED fit into the process?

- Labor
- Materials and Supplies
- Project Duration
- Affected Area

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Labor Considerations

- Short-term
  - Availability of skilled labor
  - Unemployment rate
  - Sufficient training time
- Long-term
  - Maintenance and repair activity
  - Other economic development

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Materials and Supplies

- Raw materials – both short-term and long-term
  - Accessibility
  - Quantities
- Competing projects
- Alternative materials
- Jobs, income, and tax revenues derived from supply of materials

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Duration

- Short-term
  - Construction
  - Effects on community
- Long-term
  - Project maintenance
  - Other economic development

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Region

- The region is defined as that area potentially impacted by the project
  which could be a:
  - Development/geographic area
  - Community/City
  - Census Area
  - County
  - State

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Use of I/O Models

- IMPLAN or RIMS-II
  - Reliable at the state and national level
  - Not recommended for small regions
  - NPS recommends areas no less than 3 counties
- Requires primary data gathering effort

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An Example

- Mining company in Juneau Alaska
  - 30,000 residents
  - 17,000 workers – more than half are government employees
  - Mine offered 275 high paying basic industry jobs
  - Only company in industry sector so wage data considered confidential
- Mine wanted to expand tailings site footprint and expected a fight

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Survey Development

- Demographic:
  - Age
  - Gender
  - Marital status
  - Number of dependents and their ages
  - Children attending college and where
- Residency:
  - Alaskan or out-of-state resident
  - Homeowner or renter
  - If the mine closed, would the worker stay or move

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Survey Development (cont'd)

- Income:
  - Employee's income including bonuses
  - Spouse's income
  - Residual income including passive investments
- Community involvement:
  - Charitable contributions
  - Volunteer activity

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Survey Results

- 90 percent response rate
- Potential income loss from:
  - employees
  - spouses
  - passive investments
  - indirect employment income
- Lost jobs (direct, indirect, and induced)

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Survey Results (cont'd)

- Drop in municipal revenues from:
  - Property taxes
  - Corporate taxes
  - Sales taxes
  - Public school funding
  - Government owned utility payments
- Number of Alaska residents working at the mine (> 85 percent)

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Collaboration

- Between the Corps and the project sponsor serves a dual purpose:
  - encourages sponsors to garner support and finance projects
  - allows the Corps to complete much-needed projects throughout the nation

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Key Takeaway Points

- 4 Accounts – NED, RED, EQ, and OSE
- RED evaluations aid communities by assisting them to understand the opportunities and risks of the project
- RED evaluations aid the Corps by providing goodwill to communities and better assessing project sponsor’s financial capabilities

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